

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

JUNE 30, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

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August 14, 2008

INDEPENDENT AUDITORS' REPORT

Board of Education
Kingsley Area Schools
Kingsley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kingsley Area Schools, Kingsley, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kingsley Area School's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the governmental activities, each major fund, and the aggregate remaining fund information of Kingsley Area Schools, Kingsley, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2008, on our consideration of Kingsley Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kingsley Area Schools, Kingsley, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information found on pages 26 through 52 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Kingsley Area Schools, a K-12 school district located in Grand Traverse and Wexford Counties, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Kingsley Area Schools administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

A. Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, school districts’ major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years’ debt service are not recorded in the fund financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely resemble those presented by business and industry. The District’s entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

C. Summary of Net Assets

The following schedule summarizes the net assets at fiscal years ended June 30,

	2008	2007
Assets		
Current Assets	\$ 5,992,587	\$ 5,407,432
Non Current Assets		
Capital Assets	16,134,634	16,236,226
Less Accumulated Depreciation	(5,151,309)	(4,988,274)
Total Non Current Assets	10,983,325	11,247,952
Total Assets	\$ 16,975,912	\$ 16,655,384
Liabilities		
Current Liabilities	\$ 1,724,491	\$ 1,756,536
Non Current Liabilities	6,274,523	6,881,670
Total Liabilities	7,999,014	8,638,206
Net Assets		
Invested in Capital Assets Net of Related Debt	4,391,440	4,117,179
Restricted for Debt Service	251,419	156,760
Unrestricted	4,334,039	3,743,239
Total Net Assets	8,976,898	8,017,178
Total Liabilities and Net Assets	\$ 16,975,912	\$ 16,655,384

D. Analysis of Financial Position

During the fiscal year ended June 30, 2008, the District's net assets increased by \$959,720. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$455,102 was recorded for depreciation expense.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2008, \$207,524 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a net decrease in capital assets in the amount of \$247,578 for the fiscal year ended June 30, 2008.

E. Results of Operations

For the fiscal years ended June 30, the results of operations, on a District-wide basis, were:

	<u>2008</u>	<u>2007</u>
	Amount	Amount
General Revenues		
Property Taxes	\$ 1,711,979	\$ 1,624,428
Investment Earnings	119,064	102,280
State Sources	9,682,683	9,336,187
Gain on Sale of Assets	21,091	0
Other	45,718	36,548
Total General Revenues	<u>11,580,535</u>	<u>11,099,443</u>
Program Revenues		
Charges for Services	362,056	339,868
Operating Grants	1,785,913	1,711,676
Total Program Revenues	<u>2,147,969</u>	<u>2,051,544</u>
Total Revenues	<u>13,728,504</u>	<u>13,150,987</u>
Expenses		
Instruction	7,538,385	7,684,820
Supporting Services	3,812,855	3,807,660
Food Service Activities	663,059	621,355
Athletic Activities	330,799	359,493
Community Services	99,168	112,493
Other Transactions	20,125	3,228
Interest on Long-Term Debt	304,393	324,268
Total Expenses	<u>12,768,784</u>	<u>12,913,317</u>
Change in Net Assets	<u>\$ 959,720</u>	<u>\$ 237,670</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The District levied 18.0000 mills of property taxes for operations on non-homestead properties. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$987,535 in non-homestead property taxes. The amount of unpaid property taxes at June 30, 2008, was \$45,141.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2007-2008	987,535
2006-2007	911,133
2005-2006	813,288
2004-2005	755,831
2003-2004	667,415

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007-2008 fiscal year, the District received \$7,204 per student FTE. For the 2006-2007 fiscal year, the district per pupil funding equated to \$7,085.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

<u>Fiscal Year</u>	<u>Blended Student FTE</u>	<u>FTE Change from Prior Year</u>
2007-2008	1,522	30
2006-2007	1,492	(11)
2005-2006	1,503	32
2004-2005	1,471	15
2003-2004	1,456	42

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state, and other grants accounted for \$1,785,913.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the General Fund budget several times. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$11,380,208	\$12,203,261	\$12,256,624
<u>EXPENDITURES</u>			
Instruction	\$ 7,341,616	\$ 7,485,022	\$ 7,512,725
Supporting Services	3,543,757	3,499,897	3,482,334
Community Services	91,200	99,168	99,168
Other Transactions	0	0	20,105
Total Expenditures	\$10,976,573	\$11,084,087	\$11,114,332

The original revenue budget of \$11,380,208 was increased to \$12,203,261 primarily as a result of anticipated changes in the level of state aid funding and reduction in student enrollment.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2007-2008 fiscal year, the District had invested \$10,983,325, net of accumulated depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Significant capital expenditures this year included building improvements to the Middle School, new boilers at the Elementary School and a new van, truck and school bus at a total cost of \$207,524.

2. Long-Term Debt

At June 30, 2008, the District had \$6,884,099 in long-term debt outstanding. This represents a decrease of \$536,459 from the amount outstanding at the close of the prior fiscal year.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- Kingsley Area Schools has experienced increased student enrollment the past 10 years with the exception of the 2006-07 school year, when the District experienced a decrease of 11 students. Kindergarten numbers for the 2007-08 school year were lower than in previous years, and the District initially budgeted for a decline in student enrollment. By the September 2007 count day, the District was at 1,522 students, an increase of almost 30 from the prior year. This will allow the District to designate monies to the public improvement fund for the purchase of portable classrooms to address needed classroom space, general maintenance, and an upgrade in district technology.

Contacting the District's Financial Management

- This financial report is designed to provide District citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. Questions relating to this report, or for additional financial information, may be addressed to the Business Manager, Kingsley Area Schools, 402 Fenton Street, Kingsley, Michigan 49649.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 1,825,214
Taxes Receivable	45,141
Due from External Parties (Fiduciary Funds)	3,361
Due from Other Governments	1,964,937
Inventories	49,731
Prepaid Expenditures	58,220
Investments	2,045,983
Total Current Assets	<u>5,992,587</u>
<u>NONCURRENT ASSETS</u>	
Capital Assets	16,134,634
Less Accumulated Depreciation	<u>(5,151,309)</u>
Total Non Current Assets	<u>10,983,325</u>
 TOTAL ASSETS	 <u>\$ 16,975,912</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 37,382
Accrued Expenses	355,617
Accrued Interest Payable	44,257
Salaries Payable	677,659
Current Portion of Noncurrent Liabilities	609,576
Total Current Liabilities	<u>1,724,491</u>
<u>NONCURRENT LIABILITIES</u>	
Bonds Payable	6,114,715
Installment Purchase Agreement	477,170
Compensated Absences	292,214
Less Current Portion of Non Current Liabilities	<u>(609,576)</u>
Total Non Current Liabilities	<u>6,274,523</u>
Total Liabilities	<u>7,999,014</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	4,391,440
Restricted for Debt Service	251,419
Unrestricted	4,334,039
Total Net Assets	<u>8,976,898</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,975,912</u>

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 6,226,013	\$ 0	\$ 230,360	\$ (5,995,653)
Added Needs	1,312,372	0	903,094	(409,278)
Supporting Services				
Pupil	295,989	0	166,698	(129,291)
Instructional Staff	186,154	0	16,217	(169,937)
General Administration	255,681	0	0	(255,681)
School Administration	544,321	0	0	(544,321)
Business	169,384	0	0	(169,384)
Operation and Maintenance	1,312,419	0	0	(1,312,419)
Security Services	34,762	0	0	(34,762)
Pupil Transportation Services	826,277	0	3,664	(822,613)
Staff Services	1,300	0	0	(1,300)
Technology Central Services	186,568	0	0	(186,568)
Food Service Activities	663,059	279,993	377,196	(5,870)
Athletic Activities	330,799	77,897	6,452	(246,450)
Community Services	99,168	4,166	82,232	(12,770)
Other Transactions	20,125	0	0	(20,125)
Interest on Long Term Debt	304,393	0	0	(304,393)
Total Governmental Activities	<u>\$12,768,784</u>	<u>\$ 362,056</u>	<u>\$ 1,785,913</u>	<u>(10,620,815)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				979,768
Property Taxes - Debt Service				732,211
Gain on Sale of Assets				21,091
Investment Earnings				119,064
State Sources				9,682,683
Other				45,718
Total General Revenues				<u>11,580,535</u>
Change in Net Assets				959,720
<u>NET ASSETS</u> - Beginning of Year				<u>8,017,178</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 8,976,898</u>

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

		PUBLIC	OTHER	
	GENERAL	IMPROVEMENT	NONMAJOR	TOTAL
<u>ASSETS</u>	FUND	FUND	GOVERNMENTAL	GOVERNMENTAL
	FUND	FUND	FUNDS	FUNDS
Cash	\$ 1,229,138	\$ 265,301	\$ 330,775	\$ 1,825,214
Taxes Receivable	36,987	0	8,154	45,141
Due from Other Funds	3,361	264,545	46,196	314,102
Due from Other Governments	1,954,205	0	10,732	1,964,937
Inventory	41,860	0	7,871	49,731
Prepaid Expenditures	5,720	52,500	0	58,220
Investments	2,044,293	1,175	515	2,045,983
 TOTAL ASSETS	 \$ 5,315,564	 \$ 583,521	 \$ 404,243	 \$ 6,303,328
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 37,382	\$ 0	\$ 0	\$ 37,382
Accrued Expenditures	355,617	0	0	355,617
Salaries Payable	677,659	0	0	677,659
Due to Other Funds	310,741	0	0	310,741
Deferred Revenue	36,987	0	8,154	45,141
 Total Liabilities	 1,418,386	 0	 8,154	 1,426,540
 <u>FUND BALANCES</u>				
Reserved for Inventory	41,860	0	7,871	49,731
Reserved for Prepaid Expenditures	5,720	52,500	0	58,220
Reserved for Debt Retirement	0	0	295,676	295,676
Unreserved, Designated for				
Food Service	0	0	67,715	67,715
Athletic Activities	0	0	24,827	24,827
Public Improvements	0	531,021	0	531,021
Capital Purchases -				
Vehicle Replacement	180,000	0	0	180,000
Unreserved, Undesignated	3,669,598	0	0	3,669,598
 Total Fund Balances	 3,897,178	 583,521	 396,089	 4,876,788
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 5,315,564	 \$ 583,521	 \$ 404,243	 \$ 6,303,328

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2008

Total Governmental Fund Balances		\$ 4,876,788
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	\$ 16,134,634	
Accumulated depreciation is	<u>(5,151,309)</u>	10,983,325
Property taxes receivable in governmental activities are deferred unless they are collected within sixty days of year end.		45,141
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(6,114,715)
Installment Purchase Agreement		(477,170)
Compensated Absences		(292,214)
Accrued interest is not included as a liability in government funds, it is recorded when paid		<u>(44,257)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 8,976,898</u></u>

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	GENERAL FUND	PUBLIC IMPROVEMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,133,216	\$ 1,191	\$ 1,107,391	\$ 2,241,798
State Sources	10,534,373	0	27,755	10,562,128
Federal Sources	337,684	0	349,441	687,125
Other Transactions	251,351	0	0	251,351
Total Revenues	12,256,624	1,191	1,484,587	13,742,402
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	6,200,353	0	0	6,200,353
Added Needs	1,312,372	0	0	1,312,372
Supporting Services				
Pupil	295,989	0	0	295,989
Instructional Staff	186,154	0	0	186,154
General Administration	250,741	0	0	250,741
School Administration	550,664	0	0	550,664
Business	163,771	0	0	163,771
Operation and Maintenance	940,282	140,170	0	1,080,452
Security Services	34,762	0	0	34,762
Pupil Transportation Services	872,103	0	0	872,103
Staff Services	1,300	0	0	1,300
Technology Central Services	186,568	0	0	186,568
Food Service Activities	0	0	659,157	659,157
Athletic Activities	0	0	300,705	300,705
Debt Service				
Principal	0	133,888	405,000	538,888
Interest	0	24,293	283,053	307,346
Community Services	99,168	0	0	99,168
Other Transactions	20,105	20	0	20,125
Total Expenditures	11,114,332	298,371	1,647,915	13,060,618
Excess (Deficiency) of Revenues Over Expenditures	1,142,292	(297,180)	(163,328)	681,784
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	725,000	255,466	980,466
Transfers Out	(980,466)	0	0	(980,466)
Total Other Financing Sources (Uses)	(980,466)	725,000	255,466	0
Net Change in Fund Balance	161,826	427,820	92,138	681,784
<u>FUND BALANCE</u> - Beginning of Year	3,735,352	155,701	303,951	4,195,004
<u>FUND BALANCE</u> - End of Year	\$ 3,897,178	\$ 583,521	\$ 396,089	\$ 4,876,788

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances Total Governmental Funds	\$ 681,784
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Amounts reported for governmental activities are different because:

In governmental funds property taxes receivable are deferred unless they are collected within sixty days of year end.

Deferred Property Tax Revenue - Beginning of Year	(41,990)
Deferred Property Tax Revenue - End of Year	45,141

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(455,102)
Capital Outlay	207,524

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation.

Governmental Funds - Cost of capital assets sold	(17,049)
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Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	47,210
Accrued Interest Payable - End of Year	(44,257)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	538,888
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Employees Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	289,785
Compensated Absences - End of Year	(292,214)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 959,720</u>
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The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2008

	<u>PRIVATE-PURPOSE</u> <u>TRUST FUND</u>	<u>AGENCY</u> <u>FUND</u>
<u>ASSETS</u>		
Cash	\$ 5,715	\$ 165,048
Investments	96,857	0
TOTAL ASSETS	<u>\$ 102,572</u>	<u>\$ 165,048</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	\$ 0	\$ 161,687
Due to Other Funds	0	3,361
Total Liabilities	<u>0</u>	<u>165,048</u>
<u>NET ASSETS</u>		
Held in Trust for Endowments	98,113	0
Held in Trust for Scholarships	4,459	0
Total Net Assets	<u>102,572</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 102,572</u>	<u>\$ 165,048</u>

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2008

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Earnings on Investments	\$ 4,563
<u>DEDUCTIONS</u>	
Scholarships Awarded	<u>2,110</u>
CHANGE IN NET ASSETS	2,453
<u>NET ASSETS</u> - Beginning of Year	<u>100,119</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 102,572</u></u>

The accompanying notes are an integral part of these financial statements.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Kingsley Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District is located in Grand Traverse and Wexford Counties with its administrative offices located in Kingsley, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,522 students in elementary, middle school, high school, special education, transportation, food service and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts – invested in capital assets, net of related debt; and unrestricted net assets.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *CAPITAL PROJECTS FUND* (Public Improvement Fund) accounts for major improvement projects and is primarily funded with loans and transfers from the General Fund.

Other Non-Major Funds

The *SPECIAL REVENUE FUNDS* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *DEBT RETIREMENT FUNDS* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *PRIVATE-PURPOSE TRUST FUND* is used to account for resources legally held in trust to provide scholarships to post-secondary education students. Contributions are held as permanent endowments and the earnings from those endowments can be used to provide the scholarships.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007. For the year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for Kingsley Area Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governments.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government, or obligations of the state.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

- (c) Commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (e) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district

The Schools' deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-homestead	18.0000
Debt Service Fund -Homestead and non-homestead	3.7500

4. Inventories and Prepaid Expenditures

Inventories are valued at cost (first-in, first-out). Inventory consists of supplies held for consumption. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The District has elected to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2003.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Encumbrance accounting is not employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

4. The superintendent is charged with general supervision of the budgets and holds the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 11, 2007, or as amended by the School Board of Education several times throughout the fiscal year.

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

General Fund – Basic Programs expenditures of \$6,200,353 exceeded appropriations of \$6,172,650, Operation and Maintenance of Plants expenditures of \$940,282 exceeded appropriations of \$933,710, Pupil Transportation Services expenditures of \$872,103 exceeded appropriations of \$840,083, and Other Transactions expenditures of \$20,105 exceeded appropriations of \$0.

Food Service Fund – Food Service Activities expenditures of \$659,157 exceeded appropriations of \$634,500.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

The District's deposits and investments are all on deposit with Northwestern Bank, Huntington National Bank and the Michigan School District Liquid Asset Fund Plus. The Agency Fund's deposits are on deposit with Northwestern Bank and the Scholarship Trust Funds deposits and investments are held by Wachovia Securities.

Investment rate risk. The District minimizes Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Foreign currency risk. The District is not authorized to invest in investments, which have this type of risk.

Credit risk. The District minimizes Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District minimizes Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$1,860,781 of the government's bank balance of \$2,393,733 was exposed to custodial credit risk because it was uninsured and uncollateralized. The book balance for these accounts was \$1,995,977.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year end, the only investments were investment trust funds.

Investments not subject to categorization:

Michigan Liquid Asset Fund	\$2,045,983
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The Scholarship Trust Fund had \$5,715 in an uninsured money market account and \$96,857 invested in various open ended mutual funds.

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

	GENERAL FUND	OTHER NONMAJOR FUNDS	TOTAL
Taxes Receivable	\$ 36,987	\$ 8,154	\$ 45,141
Due from Other Governments	1,954,205	10,732	1,964,937
Total Receivables	<u>\$ 1,991,192</u>	<u>\$ 18,886</u>	<u>\$ 2,010,078</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property Taxes	\$ 45,141	\$ 0

C. Lease Information

Operating Leases – The School District is committed under a noncancelable lease for electrical equipment. This lease is an operating lease with no contingent lease payments. Lease expense for the current year was \$9,553. Future minimum lease payments are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2009	\$ 1,559
2010	1,559
2011	1,299
	<u>\$ 4,417</u>

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

D. Capital Assets

A summary of changes in the District's capital assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 396,570	\$ 0	\$ 0	\$ 396,570
Capital assets, being depreciated				
Buildings	13,125,737	52,947	101,634	13,077,050
Land Improvements	602,643	21,564	0	624,207
Machinery and equipment	761,164	0	93,628	667,536
Transportation Equipment	1,322,112	133,013	113,854	1,341,271
Other Assets	28,000	0	0	28,000
Total capital assets, being depreciated	15,839,656	207,524	309,116	15,738,064
Less accumulated depreciation for:				
Buildings	3,307,882	316,331	101,634	3,522,579
Land Improvements	200,191	31,414	0	231,605
Machinery and Equipment	579,501	19,557	93,628	505,430
Transportation Equipment	872,700	87,800	96,805	863,695
Other Assets	28,000	0	0	28,000
Total accumulated depreciation	4,988,274	455,102	292,067	5,151,309
Total capital assets, being depreciated, net of depreciation	10,851,382	(247,578)	17,049	10,586,755
Governmental activities capital assets, net of depreciation	\$ 11,247,952	\$ (247,578)	\$ 17,049	\$ 10,983,325

Depreciation for the fiscal year ended June 30, 2008, was charged to the following functions:

Basic Programs	\$ 11,000
General Administration	4,940
Operation and Maintenance	305,225
Pupil Transportation	95,846
Food Service Activities	3,432
Athletic Activities	34,659

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

E. Long-Term Debt

The District issues general obligation bonds and notes to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2008:

	Bonds	Notes	Compensated Absences	Total
Balance - July 1, 2007	\$ 6,519,715	\$ 611,058	\$ 289,785	\$ 7,420,558
Additions	0	0	2,429	2,429
Reductions	(405,000)	(133,888)	0	(538,888)
Balance - June 30, 2008	6,114,715	477,170	292,214	6,884,099
Less Current Portion	(469,799)	(139,777)	0	(609,576)
Total Due After One Year	\$ 5,644,916	\$ 337,393	\$ 292,214	\$ 6,274,523

At June 30, 2008, the District's long-term debt consisted of the following issues:

1999 School Building and Site Bonds due in annual installments of \$425,000 to \$695,000 through May 1, 2019, interest at 4.375% to 4.400%	\$ 6,040,000
1998 School Improvement Bonds due in annual installments of \$7,061 to \$44,799 through May 15, 2013, interest at 4.761353%, being serviced by designated state aid	74,715
Middle School energy improvement note payable in quarterly installments of \$39,545, including interest at 4.328%	477,170
Accumulated Compensated Absences	292,214
Total Long-Term Debt	\$ 6,884,099

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The requirements to amortize debt outstanding as of June 30, 2008, including interest of \$1,776,461 are as follows:

Year Ending June 30,	Bonds		Installment Purchase Agreement		Total
	Principal	Interest	Principal	Interest	
2009	\$ 469,799	\$ 275,922	\$ 139,777	\$ 18,404	\$ 903,902
2010	452,061	248,100	145,926	12,255	858,342
2011	472,333	228,360	152,345	5,836	858,874
2012	497,615	207,617	39,122	423	744,777
2013	522,907	185,764	0	0	708,671
2014-2018	3,005,000	563,200	0	0	3,568,200
2019	695,000	30,580	0	0	725,580
	<u>\$ 6,114,715</u>	<u>\$ 1,739,543</u>	<u>\$ 477,170</u>	<u>\$ 36,918</u>	<u>\$ 8,368,346</u>

Accumulated Compensated Absences	292,214
	<u>\$ 8,660,560</u>

F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 3,361	\$ 310,741
Food Service Fund	42,162	0
1999 Debt Retirement Fund	4,034	0
Public Improvement Fund	264,545	0
Agency Fund	0	3,361
	<u>\$ 314,102</u>	<u>\$ 314,102</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are used to move unrestricted General Fund revenues to special revenue and capital projects funds that the District must account for in other funds in accordance with the state uniform accounting manual.

KINGSLEY AREA SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Interfund transfers as shown in the individual fund financial statements at June 30, 2008, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 980,466
Athletic Activities Fund	240,466	0
Food Service Fund	15,000	0
Public Improvement Fund	725,000	0
	<hr/> \$ 980,466	<hr/> \$ 980,466 <hr/>

G. Designated and Reserved Fund Balance

The School has reserved or designated the fund balances as follows:

1. Food Service and Public Improvements Funds

The School's policy is to show fund balance of the Food Service Fund and Public Improvements Fund as designated for those purposes.

2. Debt Service

The entire fund balances of the Debt Service Funds are reserved for debt service.

3. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventory in the General Fund consists of supplies held for consumption. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

NOTE 4 – OTHER INFORMATION

A. Employee Retirement System

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008, was 17.74% until September 30, 2007, and 16.72% for the rest of the year. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$1,136,685, \$1,143,766 and \$1,065,960 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

C. Commitments

The District is not committed on any contracts at June 30, 2008.

D. Sale of Future Revenues

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Grand Traverse and Wexford County treasurers. For the 2007 tax roll the District received a lump sum payment of \$134,362 for general operating tax revenues and \$82,164 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the District will have to repay the county.

E. Prior Period Adjustment

During the current year, it was determined health insurance payable totaling \$203,416 was not recorded as a liability or expense in the General Fund as of June 30, 2007. To correct this error, the beginning fund balance of the General Fund of \$3,938,768, as originally reported, has been decreased to \$3,735,352. In addition, beginning net assets for governmental activities of \$8,220,594, as originally reported, has been decreased to \$8,017,178.

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
<u>REVENUES</u>			
Local Sources	\$ 1,053,364	\$ 1,132,522	\$ 1,133,216
State Sources	9,869,286	10,502,175	10,534,373
Federal Sources	365,945	332,312	337,684
Other Transactions	91,613	236,252	251,351
Total Revenues	11,380,208	12,203,261	12,256,624
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	5,992,572	6,172,650	6,200,353
Added Needs	1,349,044	1,312,372	1,312,372
Supporting Services			
Pupil	363,786	295,989	295,989
Instructional Staff	175,073	186,154	186,154
General Administration	286,127	250,741	250,741
School Administration	552,814	550,664	550,664
Business	201,350	219,926	163,771
Operation and Maintenance of Plant	1,010,250	933,710	940,282
Security Services	27,000	34,762	34,762
Pupil Transportation Services	770,307	840,083	872,103
Staff Services	0	1,300	1,300
Technology Central Services	157,050	186,568	186,568
Community Services	91,200	99,168	99,168
Other Transactions	0	0	20,105
Total Expenditures	10,976,573	11,084,087	11,114,332
Excess (Deficiency) of Revenues Over Expenditures	403,635	1,119,174	1,142,292
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(470,000)	(755,466)	(980,466)
Net Change in Fund Balance	(66,365)	363,708	161,826
<u>FUND BALANCE - Beginning of Year</u>	3,923,476	3,938,768	3,735,352
<u>FUND BALANCE - End of Year</u>	\$ 3,857,111	\$ 4,302,476	\$ 3,897,178

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUNDS</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE</u>	<u>ATHLETIC ACTIVITIES</u>	<u>1999 DEBT RETIREMENT</u>	<u>DURANT DEBT RETIREMENT</u>	
<u>ASSETS</u>					
Cash	\$ 20,495	\$ 24,827	\$ 285,453	\$ 0	\$ 330,775
Taxes Receivable	0	0	8,154	0	8,154
Due from Other Funds	42,162	0	4,034	0	46,196
Due from Other Governments	5,058	0	5,674	0	10,732
Inventory	7,871	0	0	0	7,871
Investments	0	0	515	0	515
TOTAL ASSETS	\$ 75,586	\$ 24,827	\$ 303,830	\$ 0	\$ 404,243
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Deferred Revenue	\$ 0	\$ 0	\$ 8,154	\$ 0	\$ 8,154
<u>FUND BALANCE</u>					
Reserved for Inventory	7,871	0	0	0	7,871
Reserved for Debt Retirement	0	0	295,676	0	295,676
Unreserved					
Designated for Food Service	67,715	0	0	0	67,715
Designated for Athletic Activities	0	24,827	0	0	24,827
TOTAL FUND BALANCES	75,586	24,827	295,676	0	396,089
TOTAL LIABILITIES AND FUND BALANCES	\$ 75,586	\$ 24,827	\$ 303,830	\$ 0	\$ 404,243

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	ATHLETIC ACTIVITIES	1999 DEBT RETIREMENT	DURANT DEBT RETIREMENT	
<u>REVENUES</u>					
Local Sources	\$ 280,504	\$ 84,500	\$ 742,387	\$ 0	\$ 1,107,391
State Sources	27,755	0	0	0	27,755
Federal Sources	349,441	0	0	0	349,441
Total Revenues	657,700	84,500	742,387	0	1,484,587
<u>EXPENDITURES</u>					
Food Service Activities	659,157	0	0	0	659,157
Athletic Activities	0	300,705	0	0	300,705
Debt Service					
Principal	0	0	405,000	0	405,000
Interest	0	0	283,053	0	283,053
Total Expenditures	659,157	300,705	688,053	0	1,647,915
Excess (Deficiency) of Revenues Over Expenditures	(1,457)	(216,205)	54,334	0	(163,328)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	15,000	240,466	0	0	255,466
Net Change in Fund Balance	13,543	24,261	54,334	0	92,138
<u>FUND BALANCE</u> - Beginning of Year	62,043	566	241,342	0	303,951
<u>FUND BALANCE</u> - End of Year	\$ 75,586	\$ 24,827	\$ 295,676	\$ 0	\$ 396,089

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 1,229,138	\$ 1,743,796
Taxes Receivable	36,987	33,979
Due from Other Funds	3,361	5,869
Due from Other Governmental Units	1,954,205	1,801,160
Inventory	41,860	48,604
Prepaid Expenditures	5,720	15,292
Investments	2,044,293	1,311,487
TOTAL ASSETS	<u>\$ 5,315,564</u>	<u>\$ 4,960,187</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 37,382	\$ 92,207
Due to Other Funds	310,741	20,418
Accrued Expenditures	355,617	425,584
Salaries Payable	677,659	652,176
Deferred Revenue	36,987	34,450
Total Liabilities	<u>1,418,386</u>	<u>1,224,835</u>
<u>FUND BALANCE</u>		
Reserved for		
Inventory	41,860	48,604
Prepaid Expenditures	5,720	15,292
Unreserved		
Designated for Capital Purchases - Vehicle Replacement	180,000	180,000
Undesignated	3,669,598	3,491,456
Total Fund Balance	<u>3,897,178</u>	<u>3,735,352</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,315,564</u>	<u>\$ 4,960,187</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,132,522	\$ 1,133,216	\$ 1,026,451
State Sources	10,502,175	10,534,373	10,099,086
Federal Sources	332,312	337,684	384,866
Other Transactions	236,252	251,351	211,481
Total Revenues	12,203,261	12,256,624	11,721,884
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary School	2,192,789	2,199,848	2,259,669
Middle School	1,937,275	1,948,240	2,028,416
High School	1,962,425	1,972,104	1,855,780
Preschool	69,600	69,600	122,415
Summer School	10,561	10,561	8,106
Added Needs			
Special Education	1,061,769	1,061,769	1,034,798
Compensatory Education	250,603	250,603	367,128
Supporting Services			
Pupil			
Guidance Services	136,906	114,999	180,817
Health Services	280	280	3
Social Work Services	143,756	165,663	136,341
Other Pupil Services	15,047	15,047	20,407
Instructional Staff			
Improvement of Instruction	13,292	13,292	12,789
Educational Media Services	163,227	163,227	180,858
Academic Student Assessment	9,635	9,635	7,192
General Administration			
Board of Education	43,772	43,772	77,431
Executive Administration	206,969	206,969	198,742
School Administration			
Office of the Principal	547,769	547,769	545,918
Graduation Expenses	2,895	2,895	1,321

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
Business			
Fiscal Services	158,866	159,422	144,831
Internal Services	4,349	4,349	0
Other Business Services	56,711	0	7,462
Operation and Maintenance	933,710	940,282	901,873
Security Services	34,762	34,762	36,404
Pupil Transportation Services	840,083	872,103	754,578
Staff Services	1,300	1,300	0
Technology Central Services	186,568	186,568	201,505
Community Services			
Direct Community Services	90,897	90,897	93,250
Community Recreation	1,023	1,023	1,138
Resource Center	2,228	2,228	16,215
Custody and Care of Children	5,020	5,020	1,890
Other Transactions	0	20,105	3,228
Total Expenditures	11,084,087	11,114,332	11,200,505
Excess (Deficiency) of Revenues Over Expenditures	1,119,174	1,142,292	521,379
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out			
Athletic Activities Fund	(240,466)	(240,466)	(241,565)
Lunch Fund	(15,000)	(15,000)	0
Public Improvements Fund	(500,000)	(725,000)	(300,000)
Total Other Financing Sources (Uses)	(755,466)	(980,466)	(541,565)
Net Change in Fund Balance	363,708	161,826	(20,186)
<u>FUND BALANCE</u> - Beginning of Year	3,938,768	3,735,352	3,755,538
<u>FUND BALANCE</u> - End of Year	\$ 4,302,476	\$ 3,897,178	\$ 3,735,352

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>LOCAL SOURCES</u>			
Property Taxes	\$ 973,913	\$ 976,760	\$ 902,767
Penalties and Interest on Delinquent Taxes	37	310	13
Transportation Fees	0	0	1,148
Earnings on Investments and Deposits	95,135	106,980	93,076
Community Service Activity	4,166	4,166	4,018
Contributions from Private Sources	0	0	800
Miscellaneous	59,271	45,000	24,629
Total Local Sources	<u>1,132,522</u>	<u>1,133,216</u>	<u>1,026,451</u>
<u>STATE SOURCES</u>			
Grants-In-Aid Unrestricted			
State School Aid			
Foundation Allowance	9,689,790	9,670,988	9,322,092
Grants-In-Aid Restricted			
State School Aid Received from State			
Foundation Allowance - Special Education	411,760	411,760	436,616
At Risk	265,867	265,867	257,268
School Readiness	71,400	122,400	46,200
Durant Settlement	11,695	11,695	11,695
Middle School Math	0	0	18,605
State School Aid Received Through			
Intermediate School Districts			
ASAP/PIE	0	0	3,052
Teacher Academy	1,254	1,254	2,006
Bus Driver Training	0	0	1,552
State School Aid Received Through Northwest			
Michigan Human Services Agency			
School Readiness	50,409	50,409	0
Total State Sources	<u>10,502,175</u>	<u>10,534,373</u>	<u>10,099,086</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>FEDERAL SOURCES</u>			
Grants-In-Aid Restricted			
Received Through the Michigan			
Department of Education			
Title I	162,979	162,979	181,017
Title II A	68,514	68,514	68,251
Title II D	1,532	1,532	1,858
Title V	303	303	308
Drug Free Schools Grant	363	2,468	5,792
Handicapped Preschool and School Program	0	0	4,000
Received Through Intermediate School District			
Preschool Incentive	0	0	12,748
IDEA Grants	0	15,099	1,786
Medicaid Outreach	0	3,361	602
Received Through Traverse City Area Public Schools			
21st Century Grant	98,621	82,232	93,250
Received Through Family Independence Agency			
Strong Families Safe Children Grant	0	1,196	15,254
Total Federal Sources	<u>332,312</u>	<u>337,684</u>	<u>384,866</u>
<u>OTHER TRANSACTIONS</u>			
Sale of Fixed Assets	38,460	38,460	0
Transfers from Other Districts			
Traverse Bay Area Intermediate School District	126,002	126,002	158,336
Other Transfers from TBAISD	71,790	86,889	53,145
Total Other Transactions	<u>236,252</u>	<u>251,351</u>	<u>211,481</u>
 TOTAL REVENUES	 <u>\$ 12,203,261</u>	 <u>\$ 12,256,624</u>	 <u>\$ 11,721,884</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>INSTRUCTION</u>			
<u>Basic Programs</u>			
<u>Elementary</u>			
Salaries	\$ 1,469,120	\$ 1,472,506	\$ 1,467,440
Employee Benefits	670,601	674,274	706,007
Purchased Services	8,756	8,756	16,634
Supplies and Materials	37,432	37,432	60,323
Capital Outlay	6,880	6,880	9,265
Total Elementary	2,192,789	2,199,848	2,259,669
<u>Middle School</u>			
Salaries	1,251,105	1,251,105	1,242,850
Employee Benefits	614,613	625,578	679,119
Purchased Services	12,514	12,514	17,039
Supplies and Materials	50,762	50,762	73,164
Capital Outlay	8,281	8,281	16,244
Total Middle School	1,937,275	1,948,240	2,028,416
<u>High School</u>			
Salaries	1,220,107	1,220,107	1,160,921
Employee Benefits	550,852	558,227	535,868
Purchased Services	29,118	29,118	28,850
Supplies and Materials	104,803	104,803	78,753
Capital Outlay	19,189	19,189	35,667
Other Expense	6,327	8,631	6,109
Outgoing Transfers	32,029	32,029	9,612
Total High School	1,962,425	1,972,104	1,855,780
<u>Pre-school</u>			
Salaries	41,465	41,465	75,994
Employee Benefits	20,025	20,025	41,792
Purchased Services	1,800	1,800	1,801
Supplies and Materials	6,310	6,310	1,679
Capital Outlay	0	0	1,149
Total Pre-school	69,600	69,600	122,415

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>Summer School</u>			
Salaries	8,438	8,438	6,500
Employee Benefits	2,123	2,123	1,606
Total Summer School	10,561	10,561	8,106
<u>Added Needs</u>			
<u>Special Education</u>			
Salaries	706,560	706,560	671,013
Employee Benefits	330,864	330,864	349,220
Purchased Services	3,049	3,049	2,235
Supplies and Materials	17,798	17,798	10,597
Capital Outlay	3,498	3,498	1,733
Total Special Education	1,061,769	1,061,769	1,034,798
<u>Compensatory Education</u>			
Salaries	153,337	153,337	224,468
Employee Benefits	96,049	96,049	141,094
Purchased Services	0	0	100
Supplies and Materials	1,217	1,217	1,466
Total Compensatory Education	250,603	250,603	367,128
<u>SUPPORTING SERVICES</u>			
<u>Pupil</u>			
<u>Guidance Services</u>			
Salaries	86,621	70,053	133,244
Employee Benefits	48,010	42,671	47,473
Purchased Services	2,275	2,275	100
Total Guidance Services	136,906	114,999	180,817
<u>Health Services</u>			
Purchased Services	280	280	3
<u>Social Work Services</u>			
Salaries	114,034	130,602	108,874
Employee Benefits	29,722	35,061	27,467
Total Social Work Services	143,756	165,663	136,341

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>Other Pupil Services</u>			
Salaries	12,100	12,100	16,318
Employee Benefits	2,947	2,947	4,089
Total Other Pupil Services	15,047	15,047	20,407
<u>Instructional Staff</u>			
<u>Improvement of Instruction</u>			
Salaries	0	0	5,725
Employee Benefits	0	0	1,223
Purchased Services	13,292	13,292	5,841
Total Improvement of Instruction	13,292	13,292	12,789
<u>Educational Media Services</u>			
Salaries	86,206	86,206	91,060
Employee Benefits	46,667	46,667	54,480
Purchased Services	1,079	1,079	4,281
Supplies and Materials	23,016	23,016	25,332
Capital Outlay	6,259	6,259	5,705
Total Educational Media Services	163,227	163,227	180,858
<u>Academic Student Assessment</u>			
Purchased Services	9,635	9,635	7,192
<u>General Administration</u>			
<u>Board of Education</u>			
Salaries	3,660	3,660	2,875
Employee Benefits	280	280	220
Purchased Services	28,919	28,919	62,491
Supplies and Materials	2,613	2,613	2,257
Other Expense	8,300	8,300	9,588
Total Board of Education	43,772	43,772	77,431

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Executive Administration</u>			
Salaries	136,934	136,934	133,975
Employee Benefits	63,095	63,095	59,251
Purchased Services	331	331	1,506
Supplies and Materials	2,696	2,696	1,366
Capital Outlay	3,838	3,838	1,806
Other Expense	75	75	838
Total Executive Administration	<u>206,969</u>	<u>206,969</u>	<u>198,742</u>
<u>School Administration</u>			
<u>Office of the Principal</u>			
Salaries	366,289	366,289	347,659
Employee Benefits	160,856	160,856	174,029
Purchased Services	13,951	13,951	18,562
Supplies and Materials	1,762	1,762	3,610
Capital Outlay	3,818	3,818	2,058
Other Expenses	1,093	1,093	0
Total Office of the Principal	<u>547,769</u>	<u>547,769</u>	<u>545,918</u>
<u>Graduation Expenses</u>			
Supplies and Materials	<u>2,895</u>	<u>2,895</u>	<u>1,321</u>
<u>Business</u>			
<u>Fiscal Services</u>			
Salaries	93,490	93,490	85,562
Employee Benefits	45,636	45,636	42,627
Purchased Services	11,033	11,033	10,228
Supplies and Materials	3,665	3,665	2,966
Capital Outlay	2,954	2,954	511
Other Expenses	2,088	2,644	2,937
Total Fiscal Services	<u>158,866</u>	<u>159,422</u>	<u>144,831</u>

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>Internal Services</u>			
Salaries	3,500	3,500	0
Employee Benefits	849	849	0
Total Internal Services	4,349	4,349	0
<u>Other Business Services</u>			
Employee Benefits	33,353	0	0
Purchased Services	0	0	7,462
Other Expenses	23,358	0	0
Total Other Business Services	56,711	0	7,462
<u>Operation and Maintenance</u>			
Salaries	291,414	291,414	285,589
Employee Benefits	168,336	170,037	158,484
Purchased Services	203,908	205,039	212,013
Supplies and Materials	238,150	241,890	240,596
Capital Outlay	31,902	31,902	5,191
Total Operation and Maintenance	933,710	940,282	901,873
<u>Security Services</u>			
Purchased Services	34,762	34,762	36,054
Supplies and Materials	0	0	350
Total Security Services	34,762	34,762	36,404
<u>Pupil Transportation Services</u>			
Salaries	339,548	339,548	363,562
Employee Benefits	176,217	176,721	155,058
Purchased Services	15,102	15,102	29,337
Supplies and Materials	143,693	147,949	127,109
Capital Outlay	138,632	138,632	78,197
Other Expense	320	320	1,315
Outgoing Transfer	26,571	53,831	0
Total Pupil Transportation Services	840,083	872,103	754,578
<u>Staff Services</u>			
Purchased Services	1,300	1,300	0

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Technology Central Services</u>			
Salaries	59,787	59,787	59,841
Employee Benefits	29,996	29,996	28,365
Purchased Services	30,629	30,629	29,084
Supplies and Materials	893	893	9
Capital Outlay	65,263	65,263	84,206
Total Technology Central Services	<u>186,568</u>	<u>186,568</u>	<u>201,505</u>
<u>COMMUNITY SERVICES</u>			
<u>Direct Community Services</u>			
Salaries	59,600	59,600	59,927
Employee Benefits	26,163	26,163	24,022
Purchased Services	2,221	2,221	3,771
Supplies and Materials	2,913	2,913	5,530
Total Direct Community Services	<u>90,897</u>	<u>90,897</u>	<u>93,250</u>
<u>Community Recreation</u>			
Salaries	479	479	908
Employee Benefits	117	117	230
Purchased Services	427	427	0
Total Community Recreation	<u>1,023</u>	<u>1,023</u>	<u>1,138</u>
<u>Resource Center</u>			
Salaries	1,400	1,400	4,839
Employee Benefits	280	280	785
Purchased Services	548	548	8,303
Supplies and Materials	0	0	2,288
Total Resource Center	<u>2,228</u>	<u>2,228</u>	<u>16,215</u>
<u>Custody and Care of Children</u>			
Salaries	3,272	3,272	1,192
Employee Benefits	804	804	302
Supplies and Materials	944	944	396
Total Custody and Care of Children	<u>5,020</u>	<u>5,020</u>	<u>1,890</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>OTHER TRANSACTIONS</u>			
Prior Period Adjustments	0	20,105	0
Payments to Other School Districts Within the State	0	0	3,228
Total Other Transactions	0	20,105	3,228
 TOTAL EXPENDITURES	 \$ 11,084,087	 \$ 11,114,332	 \$ 11,200,505

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

PUBLIC IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 265,301	\$ 142,272
Investments	1,175	1,130
Due from Other Funds	264,545	12,299
Prepaid Expenditures	52,500	0
TOTAL ASSETS	<u>\$ 583,521</u>	<u>\$ 155,701</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	52,500	0
Unreserved		
Designated for:		
Public Improvements	531,021	155,701
Total Fund Balance	<u>583,521</u>	<u>155,701</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 583,521</u>	<u>\$ 155,701</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

PUBLIC IMPROVEMENTS FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 1,191	\$ 754
Contributions from Private Sources	0	2,400
Miscellaneous	0	2,121
Total Revenues	<u>1,191</u>	<u>5,275</u>
<u>EXPENDITURES</u>		
Capital Outlay	140,170	320,229
Debt Service		
Principal	133,888	128,247
Interest	24,293	29,934
Other Expense	20	1,027
Total Expenditures	<u>298,371</u>	<u>479,437</u>
Excess (Deficiency) of Revenues Over Expenditures	(297,180)	(474,162)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	<u>725,000</u>	<u>300,000</u>
Net Change in Fund Balance	427,820	(174,162)
<u>FUND BALANCE</u> - Beginning of Year	<u>155,701</u>	<u>329,863</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 583,521</u>	<u>\$ 155,701</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 20,495	\$ 45,647
Due from Other Funds	42,162	7,161
Due from Other Governments	5,058	0
Inventory	7,871	9,235
	<hr/>	<hr/>
TOTAL ASSETS	\$ 75,586	\$ 62,043
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Inventory	7,871	9,235
Unreserved		
Designated for Food Service	67,715	52,808
	<hr/>	<hr/>
Total Fund Balance	75,586	62,043
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 75,586	\$ 62,043
	<hr/>	<hr/>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 313,000	\$ 280,504	\$ 269,059
State Sources	30,000	27,755	28,062
Federal Sources	303,578	349,441	317,928
Total Revenues	646,578	657,700	615,049
<u>EXPENDITURES</u>			
Salaries	190,000	187,470	174,916
Employee Benefits	118,000	116,128	113,629
Purchased Services	7,500	10,013	6,110
Supplies and Materials	300,000	341,061	302,113
Capital Outlay	17,000	2,299	16,891
Other Expenses	2,000	2,186	1,667
Total Expenditures	634,500	659,157	615,326
Excess (Deficiency) of Revenues Over Expenditures	12,078	(1,457)	(277)
<u>OTHER FINANCING SOURCES (USES)</u>			
Extraordinary Insurance Reimbursements	0	0	8,982
Transfers In	0	15,000	0
Total Other Financing Sources	0	15,000	8,982
Net Change in Fund Balance	12,078	13,543	8,705
<u>FUND BALANCE</u> - Beginning of Year	17,499	62,043	53,338
<u>FUND BALANCE</u> - End of Year	\$ 29,577	\$ 75,586	\$ 62,043

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 24,827	\$ 1,653
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 1,087
<u>FUND BALANCE</u>		
Unreserved		
Designated for Athletic Activities	<u>24,827</u>	<u>566</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 24,827</u>	<u>\$ 1,653</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

ATHLETIC ACTIVITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 92	\$ 151	\$ 92
Admissions	58,100	68,751	58,100
Entry Fees	6,730	4,370	6,730
Private Contributions	4,040	6,452	4,040
Miscellaneous	823	4,776	823
Total Revenues	<u>69,785</u>	<u>84,500</u>	<u>69,785</u>
<u>EXPENDITURES</u>			
Athletic Activities			
Salaries	170,762	162,882	170,759
Employee Benefits	55,799	54,690	56,102
Purchased Services	52,322	53,557	52,322
Supplies and Materials	21,275	9,061	21,274
Capital Outlay	11,322	12,307	11,321
Other Expense	8,590	8,208	8,589
Total Expenditures	<u>320,070</u>	<u>300,705</u>	<u>320,367</u>
Excess (Deficiency) of Revenues Over Expenditures	(250,285)	(216,205)	(250,582)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	<u>241,565</u>	<u>240,466</u>	<u>241,565</u>
Net Change in Fund Balance	(8,720)	24,261	(9,017)
<u>FUND BALANCE</u> - Beginning of Year	<u>9,583</u>	<u>566</u>	<u>9,583</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 863</u>	<u>\$ 24,827</u>	<u>\$ 566</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

	1999 DEBT RETIREMENT	DURANT DEBT RETIREMENT	TOTALS (MEMORANDUM ONLY)	
			2008	2007
<u>ASSETS</u>				
Cash	\$ 285,453	\$ 0	\$ 285,453	\$ 237,817
Taxes Receivable	8,154	0	8,154	8,011
Due from Other Funds	4,034	0	4,034	649
Due from Other Governments	5,674	0	5,674	3,061
Investments	515	0	515	495
TOTAL ASSETS	<u>\$ 303,830</u>	<u>\$ 0</u>	<u>\$ 303,830</u>	<u>\$ 250,033</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 680
Deferred Revenue	8,154	0	8,154	8,011
Total Liabilities	8,154	0	8,154	8,691
<u>FUND BALANCE</u>				
Reserved for Debt Retirement	295,676	0	295,676	241,342
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 303,830</u>	<u>\$ 0</u>	<u>\$ 303,830</u>	<u>\$ 250,033</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

	1999 DEBT RETIREMENT	DURANT DEBT RETIREMENT	TOTALS (MEMORANDUM ONLY)	
			2008	2007
<u>REVENUES</u>				
Local Sources	\$ 742,387	\$ 0	\$ 742,387	\$ 727,796
<u>EXPENDITURES</u>				
Debt Service				
Principal	405,000	0	405,000	385,000
Interest and Fiscal Charges	283,053	0	283,053	300,445
Total Expenditures	688,053	0	688,053	685,445
Excess (Deficiency) of Revenues Over Expenditures	54,334	0	54,334	42,351
<u>FUND BALANCE</u> - Beginning of Year	241,342	0	241,342	198,991
<u>FUND BALANCE</u> - End of Year	\$ 295,676	\$ 0	\$ 295,676	\$ 241,342

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NONEXPENDABLE SCHOLARSHIP TRUST FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 5,715	\$ 13,705
Investments	96,857	86,414
TOTAL ASSETS	<u>\$ 102,572</u>	<u>\$ 100,119</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>NET ASSETS</u>		
Reserved for:		
Endowments		
Masonic Scholarship	19,000	18,913
Inman Scholarship	22,437	22,332
Zolicoff Memorial Scholarship	11,463	11,406
Taylor Scholarship	8,802	8,762
Duffey Scholarship	10,204	10,158
Guldner Memorial Scholarship	26,207	26,085
Scholarships	4,459	2,463
Total Net Assets	<u>102,572</u>	<u>100,119</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 102,572</u>	<u>\$ 100,119</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

NONEXPENDABLE SCHOLARSHIP TRUST FUND

COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES</u>		
Earnings on Investments and Deposits	\$ 4,563	\$ 4,428
<u>OPERATING EXPENSES</u>		
Scholarships	<u>2,110</u>	<u>3,000</u>
Change in Net Assets	2,453	1,428
<u>NET ASSETS</u> - Beginning of Year	<u>100,119</u>	<u>98,691</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 102,572</u></u>	<u><u>\$ 100,119</u></u>

KINGSLEY AREA SCHOOLSKINGSLEY, MICHIGANAGENCY FUNDSTATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCEYEAR ENDED JUNE 30, 2008

	BALANCE 07/01/2007	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/2008
AD Account	\$ 2,572	\$ 4,340	\$ 4,257	\$ 2,655
Adventure Club	16,891	42,617	41,755	17,753
Annual	(5,369)	8,954	3,586	(1)
Assets	430	10,997	11,447	(20)
Band	1,713	2,334	2,945	1,102
Beverage Concession	67,090	2,345	0	69,435
Baseball	855	6,374	6,783	446
Boys' Basketball	1,344	2,954	4,007	291
Boys' Track	22	245	0	267
Building Usage	1,230	535	1,700	65
Cheer Dance Team	49	255	255	49
Cheerleaders	1,020	4,521	5,139	402
Class of 2005	668	0	0	668
Class of 2006	185	0	0	185
Class of 2007	36	0	0	36
Class of 2008	5,069	2,442	7,511	0
Class of 2009	495	6,782	6,345	932
Class of 2010	1,349	4,321	2,900	2,770
Class of 2011	0	3,871	2,755	1,116
CLC Snacks	0	1,040	837	203
Close Up	2	7,106	7,108	0
Concession	3,068	16,156	8,311	10,913
Cross Country	1,778	8,440	9,205	1,013
Doug Schnick	1,987	0	975	1,012
Eighth Grade	1,647	1,733	1,455	1,925
Eighth Grade Girls Basketball	2	0	0	2
Eighth Grade Tech	2,359	2,810	5,070	99
Elementary Computers	0	3,554	2,448	1,106
Elementary Consortium	(2)	2,793	2,759	32
Elementary Flower Fund	21	100	55	66
Elementary Student Services	238	2,011	1,645	604
English I	70	0	0	70
English IV	149	0	0	149
Fifth Grade	3,137	5,333	5,593	2,877
First Grade	1,152	4,961	3,745	2,368

KINGSLEY AREA SCHOOLS

KINGSLEY, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2008

	BALANCE 07/01/2007	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/2008
Football	2,261	11,227	12,888	600
Football Camp	0	7,345	4,920	2,425
Fourth Grade	671	1,916	2,277	310
Girls' Basketball	2,053	4,934	5,399	1,588
Girls on the Run	0	1,000	1,000	0
Girls' Softball	731	5,646	5,433	944
Girls' Track	(473)	2,104	1,574	57
Golf	559	471	609	421
Graduates	246	0	0	246
Great Northwest Conference	551	585	225	911
High School Art	0	235	152	83
High School Consortium	39	1,200	1,141	98
High School Equestrian Club	136	0	24	112
High School Greenhouse	50	849	0	899
High School Paper	153	0	0	153
High School Student Services	1,455	2,615	2,828	1,242
Interest	2,563	2,357	2,909	2,011
KAS-Tech	0	230	0	230
Kindergarten	236	596	668	164
Mascot	155	0	0	155
Middle School Boys Basketball	79	0	0	79
Middle School Choir	3,733	16,955	14,756	5,932
Middle School Consortium	6	1,000	1,008	(2)
Middle School Drama	1,475	744	444	1,775
Middle School Gym	157	833	864	126
Middle School Flower Fund	11	0	0	11
Middle School Resource Room	61	0	0	61
Middle School Science	167	1,601	1,731	37
Middle School Shop	173	70	132	111
Middle School Student Council	702	4,350	1,429	3,623
Middle School Student Services	256	3,088	1,774	1,570
Middle School Student Store	319	0	230	89
Middle School Track	0	4,742	4,635	107
Music/Drama	1,918	0	211	1,707
National Honor Society	506	721	362	865
Patrice White	264	29	28	265

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

	BALANCE 07/01/2007	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/2008
PSAT - Bbialik	82	119	119	82
S.A.D.D.	1,622	101	1,296	427
Second Grade	2,721	3,187	3,501	2,407
Seventh Grade	70	0	0	70
Shop	2,387	2,698	2,450	2,635
Sixth Grade	185	2,998	2,942	241
Spanish Club	4	692	666	30
Student Council	3,674	1,634	3,744	1,564
Student Leadership	74	0	0	74
Teacher of the Year	160	0	127	33
Third Grade	1,004	4,753	4,078	1,679
Varsity Club	479	0	0	479
Video Photo	16	0	0	16
Volleyball	911	2,779	2,668	1,022
Volleyball Camp	457	1,770	1,880	347
Volunteer Club	0	7,285	6,317	968
Wrestling	8	10	0	18
	<u>\$ 146,324</u>	<u>\$ 265,393</u>	<u>\$ 250,030</u>	<u>\$ 161,687</u>

Represented by

Assets

Cash and

Cash Equivalents

\$ 150,117

\$ 165,048

Liabilities

Due to Other Funds

\$ 3,793

\$ 3,361

Due to Groups and
Organizations

146,324

161,687

\$ 150,117

\$ 165,048

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

1999 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2008

<u>TITLE OF ISSUE</u>	Kingsley Area Schools, 1999 Building and Site Bonds		
<u>PURPOSE</u>	For the purpose of erecting, furnishing, and equipping a new senior high school and developing and improving the sight.		
<u>DATE OF ISSUE</u>	June 1, 1999		
<u>REDEMPTION PRIOR TO MATURITY</u>	Bonds of this issue maturing in the years 2001 to 2009 are not subject to redemption prior to maturity. Bonds of this issue maturing in years 2010 and thereafter, shall be subject to redemption prior to maturity at the option of the School District.		
<u>AMOUNT OF ISSUE</u>		\$	8,570,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	2,125,000
Current Year			405,000
			<u>2,530,000</u>
<u>BALANCE OUTSTANDING - June 30, 2008</u>		\$	<u>6,040,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2008		\$ 132,771	\$ 132,771	
May 1, 2009	4.375%	557,771	132,771	\$ 425,000
November 1, 2009		123,474	123,474	
May 1, 2010	4.375%	568,474	123,474	445,000
November 1, 2010		113,740	113,740	
May 1, 2011	4.400%	578,740	113,740	465,000
November 1, 2011		103,510	103,510	
May 1, 2012	4.400%	593,510	103,510	490,000
November 1, 2012		92,730	92,730	

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

1999 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2013	4.400%	607,730	92,730	515,000
November 1, 2013		81,400	81,400	
May 1, 2014	4.400%	621,400	81,400	540,000
November 1, 2014		69,520	69,520	
May 1, 2015	4.400%	639,520	69,520	570,000
November 1, 2015		56,980	56,980	
May 1, 2016	4.400%	656,980	56,980	600,000
November 1, 2016		43,780	43,780	
May 1, 2017	4.400%	673,780	43,780	630,000
November 1, 2017		29,920	29,920	
May 1, 2018	4.400%	694,920	29,920	665,000
November 1, 2018		15,290	15,290	
May 1, 2019	4.400%	710,290	15,290	695,000
		<u>\$ 7,766,230</u>	<u>\$ 1,726,230</u>	<u>\$ 6,040,000</u>

KINGSLEY AREA SCHOOLS
KINGSLEY, MICHIGAN

SCHEDULE OF DURANT BONDS PAYABLE
1998 BOND ISSUE

JUNE 30, 2008

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond
<u>PURPOSE</u>	This bond is issued for purposes permitted in Section 1351a of Act 451, Public Acts of Michigan, 1976 pursuant to the authority granted under Act 94, Public Acts of Michigan, 1979, and a resolution duly adopted by the Kingsley Board of Education.
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th, of each year
<u>REDEMPTION PRIOR TO MATURITY</u>	This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.
<u>AMOUNT OF ISSUE</u>	\$ 116,949
<u>AMOUNT REDEEMED</u>	
Current Year	\$ 0
Prior Years	42,234 42,234
<u>BALANCE OUTSTANDING - June 30, 2008</u>	<u>\$ 74,715</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2009	4.761353%	\$ 55,179	\$ 10,380	\$ 44,799
May 15, 2010	4.761353%	8,213	1,152	7,061
May 15, 2011	4.761353%	8,213	880	7,333
May 15, 2012	4.761353%	8,212	597	7,615
May 15, 2013	4.761353%	8,211	304	7,907
		<u>\$ 88,028</u>	<u>\$ 13,313</u>	<u>\$ 74,715</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
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August 14, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education
Kingsley Area Schools
Kingsley, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingsley Area Schools for the year ended June 30, 2008, and has issued our report thereon dated August 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 13, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Kingsley Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Kingsley Area School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kingsley Area Schools are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries which were reviewed and accepted by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 14, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Kingsley Area Schools for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Public Act 621 (PA 621)

In several activities in the General Fund and the Food Service Fund expenditures exceeded the budgeted amounts. PA 621 requires that the budget be amended to allow for expenditures before incurring the expenditures.

Lack of Adequate Internal Controls Over Decentralized Cash Collections

Management is responsible for establishing and maintaining internal controls over cash for the district.

At many school districts, internal controls over decentralized cash collections present a challenge for management. The District currently does not have entirely effective controls in place related to decentralized cash collections.

This condition was caused by limited personnel involved in the process and a lack of documentation related to the cash collection process.

The effect of this condition is that an environment is created in which the potential exists for cash collections to not be deposited into the District's bank accounts and go undetected in the financial recordkeeping process.

The District is aware of this limitation, and is in the process of evaluating and implementing controls to correct or mitigate this situation in the future.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.